

EXHIBIT A

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☐ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from March 28, 1998 to December 25, 1998

Commission file number 1-9037

The IT Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware	33-0001212
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2790 Mosside Boulevard, Monroeville, Pennsylvania 15146-2792	
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (412) 372-7701

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$.01 Par Value	New York Stock Exchange; Pacific Exchange
Preferred Stock Depositary Shares	New York Stock Exchange; Pacific Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

The aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant at March 5, 1999, was approximately \$264,868,334 (based upon the closing sale price of its common stock on the New York Stock Exchange as reported by The Wall Street Journal on such date.)

At March 5, 1999 the registrant had issued and outstanding an aggregate of 22,637,858 shares of its common stock, including 44,949 shares held in treasury.

Documents Incorporated by Reference

Certain information included in the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission for the Annual Meeting of Stockholders of the registrant to be held on May 19, 1999 is incorporated by reference into Part III hereof.

A-0000001

THE IT GROUP, INC.
ANNUAL REPORT ON FORM 10-K
FOR THE NINE MONTHS ENDED DECEMBER 25, 1998

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PART I

ITEM 1. BUSINESS.

GENERAL

The IT Group, Inc. (we or IT or the Company) is a leading provider of diversified, value-added services in the areas of environmental consulting, engineering and construction and remediation. In addition, we are leveraging our core project management competencies to offer our clients a variety of outsourcing services such as facilities management. We have a strong reputation for both the high quality of our work and the breadth of the services we provide.

We provide services through four business platforms: Engineering & Construction, Consulting & Ventures, Outsourced Services and International. The following table provides a brief overview of our four operating platforms. For more information on our platforms, see "Business--Operations".

Platform	Revenue for the Nine Months Ended December 25, 1998 (In millions)	Percentage of Revenue for the Nine Months Ended December 25, 1998	Clients	Primary Services Provided
Engineering & Construction	\$597.9	78.9%	DOD DOE EPA State and local agencies Private sector	Assessment, planning and execution for: Hazardous waste design and remediation Decontamination and decommissioning remedial construction
Consulting & Ventures	\$79.4	10.5%	Private sector clients U.S. Government clients	Remedial investigations Feasibility studies Environmental permitting Facility siting and design Environmental compliance auditing Risk assessment/management Health and safety program design
Outsourced Services	\$70.4	9.3%	DOD State and local facilities Private sector clients	Facilities, operation, maintenance and construction Construction management services
International	\$9.8	1.3%	U.S. and international governments Private sector	Engineering, remediation and consulting Wastewater treatment/design Infrastructure, engineering and construction

Our clients are federal, state, and local governments in the U.S. and commercial businesses worldwide. We obtained 69% of our revenues for the nine months ended December 25, 1998 from the federal government under more than 100 contracts that range in length from one to ten years. In addition, we serve more than 1,500 commercial clients on projects which range in length from one month to more than one year. As of December 25, 1998 we employed over 5,600 persons in a network of over 80 domestic and over ten international offices. Approximately 90% of our backlog at December 25, 1998 was under federal government programs and approximately 82% is expected to be charged to our clients on a cost-reimbursable basis. Many of our commercial contracts are evergreen contracts that are typically not part of our backlog.

Industry Overview and Trends

According to industry sources, from 1993 to 1997, the portion of the domestic environmental services industry in which we compete grew from approximately \$25.4 billion in 1993 revenues to approximately \$26.5 billion in 1997 revenues, which equates to a compound annual growth rate of approximately 1.1%.

Demand for our environmental services is driven by a number of factors, including:

- the needs of the U.S. Department of Defense and Department of Energy to restore sites formerly used for weapons production or military bases;
- the need to comply with federal, state and municipal environmental regulation and enforcement regarding the quality of the environment;
- the need to bring aging production facilities into compliance with current environmental regulations;
- the need to minimize waste generation on an ongoing basis; and
- the need to reduce or forestall liability associated with pollution-related injury and damage.

A significant portion of future DOD and DOE environmental expenditures will be directed to cleaning up hundreds of military bases and to restore former nuclear weapons facilities. DOD has stated that there is an urgent need to ensure that the hazardous wastes present at these sites, often located near population centers, do not pose a threat to the surrounding population, and, in connection with the closure of many military bases, there is an economic incentive to make sure that the environmental restoration enables these sites to be developed commercially by the private sector. DOE has long recognized the need to stabilize and safely store nuclear weapons materials and to clean up areas contaminated with hazardous and radioactive waste. According to federal government publications, the DOD's budget for environmental remediation will be approximately \$2.5 billion annually for the next five years and the DOE's budget will be approximately \$5.7 billion annually for the same period.

Significant environmental laws have been enacted in the U.S. in response to public concern about the environment. These laws and the implementing regulations affected nearly every industrial activity, and efforts to comply with the requirements of these laws create demand for our services. The principal federal legislation that has created a substantial market for us, and therefore has the most significant effect on our business, includes the following:

- The Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, established the Superfund program to clean up existing, often abandoned, hazardous waste sites and provides for penalties and significant damages for noncompliance with EPA orders. As of September 1998, the EPA identified approximately 1,370 sites as being significantly contaminated with hazardous materials and, therefore, named them as Superfund sites. Only approximately 41% of these sites have been remediated.

- The Resource Conservation and Recovery Act of 1976, or RCRA, provides a comprehensive scheme for the regulation of hazardous waste from the time of generation to its ultimate disposal, and sometimes thereafter, as well as the regulation of persons engaged in the treatment, storage and disposal of hazardous waste.

- The Clean Air Act as amended in 1970 empowered the EPA to establish and enforce National Ambient Air Quality Standards, National Emission Standards for Hazardous Air Pollutants and limits on the emission of various pollutants. The 1990 amendments to the Clean Air Act substantially increased the number of sources emitting a regulated air pollutant which will be required to obtain an operating permit; the amendments also addressed the issues of acid rain and ozone protection.

- The Clean Water Act of 1972, established a system of standards, permits and enforcement procedures for the discharge of pollutants to surface water from industrial, municipal and other wastewater sources.

For more discussion of the regulatory environment in which we operate, see "Business--Operations--Regulatory".

In recent years, our industry has experienced a slowing in revenue growth, which is principally attributable to spending patterns of commercial customers. We attribute this slowdown to, among other things:

- . decreased federal, state and local enforcement of regulations, and
- . delay in the reauthorization of CERCLA.

These factors have been partially offset by an increased desire on the part of commercial clients for strategic environmental services, which:

- . provide an integrated, proactive approach to environmental issues, and
- . are driven by economic, as opposed to legal or regulatory concerns.

In addition, there is a growing international market arising from the increased awareness on the part of foreign governments and private sector entities of the need for additional and/or initial environmental regulations, studies and remediation.

Traditionally DOD has maintained most of its own facilities and performed its own facility activities, but it is now in the process of transferring many of these responsibilities to private contractors and private owners. The privatization market has been created by the government's selling an asset or revenue stream, such as military housing and electric, water and wastewater utilities on a military base, to a private company, which is then responsible for maintenance and operation. The outsourcing market has been created by private contractors' taking over site activities currently conducted by government, often military, personnel.

From 1991 to 1998, our industry has experienced substantial consolidation. According to industry sources, the top ten firms in the environmental services industry accounted for approximately 46% of the industry measured by 1998 revenue, up from approximately one third in 1991. This consolidation has been driven by:

- . the benefits of economies of scale;
- . growing demand for full service business oriented solutions;
- . the shift from commercial to government procurement of environmental services as a result of the conversion of military sites to peaceful uses.

Acquisitions

Since March 1996, we have acquired eight firms representing an aggregate \$770.0 million in revenue at the time of acquisition.